

Message Text

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ORIGIN TRSE-00

INFO OCT-01 EUR-12 IO-13 ISO-00 FEA-01 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 EB-07 FRB-03 H-02 INR-07

INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05

CIEP-01 SS-15 STR-04 ITC-01 USIA-06 PRS-01 SP-02

OMB-01 SSO-00 NSCE-00 INRE-00 AF-08 ARA-06 EA-07

NEA-10 /137 R

DRAFTED BY TREASURY:ASTOGA:JVM

APPROVED BY EB/OT:WGBARRACLOUGH

STR:JGREENWALD

COMMERCE:DSHARK

EUR/RPE:ECASEY

EB/OT/TA:RAMEYER

EUR/WE:EBEIGEL

EB/OT/GCP:RLANDERS (INFO)

TREASURY:EGREEN

----- 014406

O R 142302Z JUL 76

FM SECSTATE WASHDC

TO USMISSION GENEVA IMMEDIATE

INFO AMEMBASSY ROME

USMISSION EC BRUSSELS

C O N F I D E N T I A L STATE 174568

E.O11652: GDS

TAGS: EFIN, ETRD, GATT, IT

SUBJECT: JULY 15 GATT COUNCIL: ITALIAN FOREX DEPOSIT
PROGRAM

REFS: (A) ROME 11126, (B) ROME 11177, (C) STATE 142743

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(D) GENEVA 5484

1. PER REFS. A AND B, IT NOW APPEARS THAT ITALIAN GOVERNMENT INTENDS TO EXTEND PRIOR DEPOSIT SCHEME PAST SCHEDULED AUGUST 3 EXPIRATION DATE. WE BELIEVE THAT THERE SHOULD BE FULL BOP COMMITTEE REVIEW. SUCH REVIEW, AS INDICATED REF. C SHOULD (A) BE UNDER ARTICLE XV AND (B) FOCUS ON TRADE EFFECTS OF MEASURE, WITHOUT CHALLENGING LEGITIMACY OF ITALIAN ACTION, WHICH WAS APPROVED BY IMF.

2. US REP AT GATT COUNCIL SHOULD MAKE FOLLOWING POINTS:

(A) THERE ARE PRESS REPORTS TO THE EFFECT THAT GOI MAY EXTEND PRIOR DEPOSIT REQUIREMENT PAST SCHEDULED EXPIRATION.

(B) WE HOPE THESE REPORTS ARE INACCURATE, AND THAT THE GOI WILL CONSIDER MORE FUNDAMENTAL POLICY MEASURES WHICH WILL ALLOW ELIMINATION OF THE DEPOSIT PROGRAM AS SOON AS POSSIBLE.

(C) WE NOTE THAT THE ITALIAN ACTION IS A BALANCE OF PAYMENTS MEASURE WHICH HAS BEEN APPROVED BY IMF AND EC, BUT FEEL ACTION HAS TRADE EFFECTS WHICH ARE LEGITIMATE GATT CONCERN.

(D) WE WISH TO SEE FULL BOP COMMITTEE CONSIDERATION OF TRADE EFFECTS OF ITALIAN ACTION AT UPCOMING FALL MEETING.

3. IF EC BLOCKS REFERRAL TO BOP COMMITTEE (REF D.), US REP SHOULD EXPRESS OUR REGRET OVER INABILITY OF COUNCIL TO ACT EXPEDITIOUSLY AND SAY THAT WE EXPECT BOP COMMITTEE REFERRAL WILL TAKE PLACE AT NEXT COUNCIL MEETING.

4. PER REF D., IF POSSIBLE, MISSION SHOULD DISCUSS ABOVE INSTRUCTIONS WITH EC REPRESENTATIVES BEFORE COUNCIL MEETING.

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5. IN ADDITION, US REP SHOULD CONVEY OUR CONCERN INFORMALLY TO THE ITALIANS THAT CONTINUED APPLICATION OF THE FOREIGN EXCHANGE DEPOSIT REQUIREMENTS TO AIR FREIGHT AND OCEAN SHIPPING IS CAUSING SERIOUS PROBLEMS FOR US CARRIERS. (SEE ROME 10949.) US REP SHOULD URGE GOI TO GIVE PRIORITY ATTENTION TO EXEMPTING SHIPPING CHARGES FROM AMBIT OF FOREX PROGRAM, AS GOI HAS ALREADY DONE FOR PASSENGER TRAVEL. FYI INFORMATION

ON RETALIATORY MEASURES BEING PUSHED BY US CARRIERS
CONTAINED IN STATE 165644 AND 167677 BEING REPEATED
TO GENEVA. END FYI. KISSINGER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE, COMMITTEE MEETINGS, BALANCE OF PAYMENTS, FOREIGN EXCHANGE RATES, ANTIINFLATIONARY PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 14 JUL 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ShawDG
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976STATE174568
Document Source: CORE
Document Unique ID: 00
Drafter: ASTOGA:JVM
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760271-0569
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760758/aaaabyvh.tel
Line Count: 118
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN TRSE
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 76 ROME 11126, 76 ROME 11177, 76 STATE 142743
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 06 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <06 APR 2004 by BoyleJA>; APPROVED <04 AUG 2004 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: JULY 15 GATT COUNCIL: ITALIAN FOREX DEPOSIT PROGRAM
TAGS: EFIN, ETRD, IT, GATT
To: GENEVA
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006